

Message Text

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SUBJECT: UK SOYA IMPORT REQUIREMENTS OUTLOOK

TAGS: EAGR UK, ETRD, EPAP

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SUMMARY: IN 1975-76 YEAR UK IMPORTS OF SOYBEANS ARE EXPECTED TO BE AROUND 800,000 TONS MARK, WELL UP FROM 1974-75'S DEPRESSED LEVEL BUT PROBABLY NOT TOO MUCH IN EXCESS OF 1973-74. IMPORTS OF MEAL PROBABLY WILL CHANGE LITTLE MAINLY BECAUSE OF INCREASED UK CRUSHING CAPACITY. OUTLOOK FOR 1976-77 IS MUCH LESS OPTIMISTIC EVEN AT UNCHANGED PRICES. END SUMMARY.

1. UK IMPORTS OF SOYBEANS IN 1975-76 SHOULD REACH AT LEAST 800,000 TONS IN RESPONSE TO MUCH INCREASED FEED DEMAND DUE TO REVIVAL IN ALMOST ALL SECTORS OF LIVESTOCK INDUSTRY SINCE LATE 1975. RELATIVELY LOW PRICES DURING PAST MONTH FOR MEAL HAVE HELPED RESTORE DEMAND FOR FEED. ALSO RECENT PRICE INCREASES FOR BUTTER IN UK INCLUDING EFFECT OF REDUCTION IN BUTTER SUBSIDY HAVE MADE MARGARINE MORE ATTRACTIVE TO CONSUMERS THAN FOR A CONSIDERABLE NUMBER OF YEARS. SOYBEAN MEAL IMPORTS AS MEAL WILL PROBABLY NOT ADVANCE VERY MUCH OVER LAST YEAR BECAUSE OF EXPANSION IN UK CRUSHING CAPACITY.

2. PROSPECTS FOR 1976-77 ARE, HOWEVER, MUCH LESS

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OPTIMISTIC. GENERAL CONSENSUS OF OPINION HERE IS THAT

EXCEPT FOR DAIRYING, THE UK LIVESTOCK INDUSTRY IS HEADING FOR ANOTHER COST-PRICE SQUEEZE SITUATION, PARTICULARLY IN POULTRY AND PIG SECTORS. RECENT REVIVAL IN BROILER CHICK PLACINGS AND BROILER PRODUCTION AND BUILD-UP OF IN-SOW GILTS AND MODERATE RISE IN PIG NUMBERS IS NOW EXPECTED TO BE SHORT LIVED. FURTHERMORE IN UK, ANTI-INFLATION POLICY AND INCOME RESTRAINTS ARE TENDING TO INCREASE CONSUMER RESISTANCE TO HIGHER PRICES OF MEAT, POULTRY AND EGGS. ALTHOUGH PIG PRICES SHOULD STRENGTHEN IN THE AUTUMN, THE OUTLOOK FOR PIGS IS NOT ONE OF EVEN MODERATE PROFITABILITY AND A 10 PERCENT CUTBACK IN BROILERS IS FORECAST BY NEXT WINTER BEYOND THE NORMAL SEASONAL DECLINE.

3. COMPLICATING FACTOR FOR UK IS THAT CEREAL PRICES MUST RISE STILL FURTHER BEFORE COMPLETION OF TRANSITION INTO EC. IF SOYBEAN MEAL PRICES REMAIN UNCHANGED THIS MIGHT TILT THE BALANCE SLIGHTLY TOWARDS INCREASED SOYBEAN USAGE AS AN ENERGY SOURCE AS AN ALTERNATIVE TO GRAINS. THE VIEW IS, HOWEVER, THAT ANY SLIGHT TENDENCY IN THAT DIRECTION WILL BE MORE THAN OFFSET BY SLUGGISHNESS IN OVERALL DEMAND FOR FEED.

4. A 15 PERCENT INCREASE IN PRICE OF BEANS AND MEAL, IT IS FELT, WOULD WORSEN THE COST-PRICE SQUEEZE SUFFICIENTLY TO CUT DEMAND BACK A FURTHER 2-3 PERCENT WHILE A 30 PERCENT PRICE INCREASE WOULD MAKE FOR AN EVEN MORE INTENSIVE SEARCH FOR ALTERNATIVE PROTEIN SOURCES.

5. EFFECT OF PROPOSED EC TAX ON VEGETABLE OILS ON DEMAND FOR BEANS IS DIFFICULT TO EVALUATE BUT IT WOULD, IF IMPLEMENTED, POSSIBLY RESTORE COMPETITIVE POSITION OF BUTTER AT LEAST IN UK IF CONSUMER SUBSIDY AT PRESENT LEVEL CONTINUES.

6. ANOTHER FACTOR MUST OF COURSE BE THE POSSIBLE CONTINUATION OF NFDM INCORPORATION SCHEME. IF THIS WERE TO CONTINUE AND, AT ITS WORST, BE OPERATIVE AS WELL AS PROPOSED TAX ON VEGETABLE OILS, A FURTHER DEPRESSING EFFECT ON SOYBEANS SEEMS INEVITABLE.

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